

MARYLAND HEALTH CARE COMMISSION

BID BOARD NOTICE

Procurement ID Number: MHCC 10-007

Issue Date: September 21, 2009

Title: A Study of Value-Based Health Care Services and
Implementation Options in the Small Group Market

I. Background

The MHCC is a public, regulatory commission, consisting of 15 Commissioners who are appointed by the Governor, with the advice and consent of the Maryland Senate. The mission of the Maryland Health Care Commission is to plan for health system needs, promote informed decision-making, increase accountability, and improve access by providing timely and accurate information on availability, cost and quality of services to policy markets, purchasers, providers, and the residents of Maryland.

During the 2009 Maryland General Assembly, Senate Bill 637 passed modifying the small group health insurance market regulations. As part of this bill, the Maryland Health Care Commission (MHCC) is required “*to study the options to implement the use of value-based health care services to increase efficiencies in the Comprehensive Standard Health Benefit Plan*” in the small group health insurance market.

There are two contrasting (but potentially complementary) strategies that focus on improving the value of health care services delivered by our health care system. The first, and the primary focus of this report, is **value-based benefit design (VBBD)**, in which a covered service is subject to differing copayments or coinsurance based on its value – that is, an assessment of the likely range of outcomes (including the quality of the service) in relation to the cost of that service. The value of a given service for a condition is often compared with the value of alternative diagnostic or therapeutic services for the condition, with relatively high value services having little or no cost sharing, and relatively low value services having higher cost sharing. A service of very low value might have 100% cost-sharing, which is the equivalent of denying coverage for the service. Classic examples include tiered pharmacy benefits and, occasionally, tiered networks of hospitals or other providers. Note that VBBD involves incentives directed primarily to the insured individual, with providers affected secondarily.

The second strategy is **value-based purchasing (VBP)**, in which the payer contracts with providers to deliver higher quality or higher value health care. There are many forms of

VBP. One VBP approach measures some aspects of provider outcomes/quality and increases or decreases provider payment based on those measures. This adjustment to provider payment may also include an adjustment for the average risk-adjusted cost of the provider's care for that illness. This adjusted payment is often referred to as pay for performance or P4P. Other VBP approaches under development address health care costs more aggressively and may include so-called "shared savings" or "gain sharing" arrangements. Recognizing that many health expenditures result from provider choices and that current incentives reward volume of services rather than outcome, referrals to other providers rather than intensive evaluation or intervention, and emergency department visits or hospitalization in lieu of ambulatory care outside (or even inside) of office hours, payers incentivize better outcomes rather than higher volumes, directing incentives either to primary care providers (in a shared savings patient-centered medical home), to primary and specialty care providers (in a Prometheus-like design), or to entire health care delivery systems (in the case of accountable care organizations that include a hospital).

The MHCC is soliciting proposals from qualified vendors to review critically the literature on VBBD, to compare the strengths and weaknesses of patient incentives (VBBD) compared with provider incentives (VBP), and to suggest promising models of VBBD that might be adopted by the Commission in revising the Comprehensive Standard Health Benefit Plan (CSHBP) used in Maryland's small group market.

II. Requirements

Services to be performed. The contractor must prepare a 20-40 page report on value based benefit design. The report must include:

- an extensive literature review of VBBDs, with a special emphasis on any VBBDs that go beyond pharmacy benefit. The review should include 1) a description of the methods by which VBBDs were designed and adopted, 2) the specific features of the VBBD, including which services were assigned to lower and higher cost sharing, and 3) a description of any quantitative studies of the effects of the cost-sharing or other incentives on the choice of care.
- the identification and detailed description of promising VBBDs that might be considered by the Commission for adoption in the CSHBP, together with an estimate of the premium savings that may be associated with the use of a VBBD;
- a discussion of features of the payer, provider, or consumer environment that may hinder implementation, and any legislative action that has proven necessary to the operation of these VBBDs;
- an assessment of the relative strengths and weaknesses of VBBD compared with provider incentive models; and
- an assessment of whether VBBD and provider incentive models are compatible – what features are complementary, and what features are potentially in conflict.

Deliverables. The principal deliverable is a 20-40 page report outlined above. Literature citations, tables and charts should be included in the appendix to this document. A reasonably complete draft report must be delivered by November 10, 2009, for discussion by the Commission before the final report is delivered. The contractor will schedule at least two status conference calls with the Commission in October to review progress on the report and for either party to ask questions.

Basis for the Contractor's Bid. The necessary research and analysis, the presentation and creation of the report shall be on a *fixed price basis*. The contractor shall quote a single amount for this work. All expenses shall be included in the contractor's fixed price proposal, including:

- Time and materials needed;
- Travel and Meeting Expenses; and
- Other Indirect Costs.

III. Contractor Qualifications

This project will require a strong background and working knowledge of health economics with a focus on performance incentives and an understanding of contractual relationships in the health care systems. The contractor must have knowledge of the literature on VBBD (and to a lesser degree, VBP) and experience with the evaluation of value-based benefit designs.

IV. Information Required in Bidder's Proposal

Proposals must include:

- A transmittal letter prepared on the offeror's business stationary is to accompany the original and the required copies of this proposal. The purpose of this letter is to transmit the proposal; therefore, it should be brief. The letter **MUST** be signed by an individual who is authorized to bind his/her firm to all statements, including services and prices contained in the proposal.
- A proposal of no more than 10 pages with the following sections:
 - A "Statement of the Problem" that demonstrates clearly the bidder's understanding of MHCC's objectives and goals.
 - A "Proposed Work Plan" that contains a definitive description of the bidder's proposed plan to meet the requirements. It should include a detailed description of the firm's staffing and work plan. Examples of sources of literature that will be review and specific value-based benefit designs other than tiered pharmacy designs that will be examined should be included in the work plan.

- A “Statement of Capabilities” that demonstrates how key personnel working on the project meet the contractor qualifications set forth above.
- A resume for each individual referenced in the Statement of Capabilities (not counted toward the page limit).
- Any reports or publications the contractor has prepared on the topics of VBBD, P4P, or risk-adjusted quality measurement (not counted toward the page limit).
- A minimum of two references. Each reference should identify the name of each organization, the point of contact and the telephone number. The MHCC shall have the right to contact these or any other references of its choosing as part of the evaluation and election process, or not to contact some or all references if deemed appropriate.
- A bid selection including the fixed price bid for the report.

V. Selection Process

An Evaluation Committee will be appointed by the Issuing Office to evaluate all bids. The Evaluation Committee may request additional technical assistance from any source. The bids will be evaluated on the following criteria:

- Knowledge of and experience in reviewing and writing about models of value-based benefit design and/or pay-for-performance in the health care system, outside of pharmaceutical coverage.
- Knowledge of and experience in health insurance market reforms.
- Characteristics of the proposed work plan.
- Ability to meet proposal requirements and time frames.
- Cost.

VI. Selection Process

For additional information about the Requirements, contact:

Rex Cowdry

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Term of Contract. The contract will begin on award of the contract and will continue until January 15, 2010.

Issuing Office. The issuing office for this solicitation is the Maryland Health Care Commission, Sharon M. Wiggins, Procurement Specialist, 4160 Patterson Avenue, Baltimore, Maryland 21215.

Submission Deadline. In order to be eligible for consideration, an original and five copies of each proposal must be received at the Commission office by **4:00 p.m. Eastern Standard Time on Monday, September 28, 2009** in order to be considered. **All bids must include Federal Identification Tax Numbers.** Vendors mailing proposals should allow sufficient mail delivery time to ensure timely receipt by the Commission. Bids may be e-mailed to swiggins@mhcc.state.md.us.

Procurement Method. The procurement method for this solicitation is a small procurement as described in the Code of Maryland Regulations (COMAR) 21.05.07. The maximum award allowed under these regulations is \$25,000.

VII. Termination Clause

The MHCC may terminate the performance of work under this contract in accordance with this clause, in whole, or from time to time in part, whenever MHCC shall determine that the termination is in the best interest of the State. MHCC shall pay all reasonable costs associated with this termination of this contract. However, the contractor shall not be reimbursed for any anticipatory profits, which have not been earned up to the date of the termination. Termination, including the determinations of the rights and obligations of the parties shall be governed by provisions of COMAR 21.07.01.12A.

Bidders must acknowledge this statement in their response to this Bid Board Notice.

**MINORITY BUSINESS ENTERPRISES ARE ENCOURAGED TO RESPOND
TO THIS SOLICITATION.**